

## **Conseco and Banker's Multistate Exam and Settlement Agreement**

### Scope of exam:

- Conseco Senior (for claims and complaint handling practices, LTC coverage)
- Bankers Life (for complaint handling and sales and marketing practices)

### Experience period:

January 1, 2005 through April 30, 2007

### Lead states:

- Pennsylvania, Texas, Florida, Illinois and Indiana

### Exam report findings:

- Conseco: substantial delays in complaint and claims processing
- Bankers: substantial delays in complaint handling; inadequate marketing and sales compliance and oversight

### Settlement terms:

#### Monetary costs:

- \$2.3M penalty
- 4M (minimum) restitution and administrative costs
- 26M systems and operational improvements (internal and external)
- 10M contingent penalty for noncompliance

#### Corrective Action Plan:

- Claims Re-adjudication Process (potentially reviewing 58,000 claims denials)
- Achievement of Benchmarks for timely handling complaints and claims
- Implementation of all Recommendations in the Report

#### Claims Re-adjudication Process – 3 Phases (calendar years 2005 – 2007)

Phase 1 – Automatic re-adjudication of all initially denied claims (1112 claimants)

Phase 2 – Notice to policyholders for certain classes of denied claims (18,381 claimants, 48,896 claims) and other complainants (804)

Phase 3 - Toll-free call center for all other claimants who believe their claim settlement was not proper.

Complaints:

- Maintain a complete complaint file
- Establish a centralized complaint data base
- Establish countrywide DOI complaint contacts
- Ensure timely and complete complaint handling
- Set up system of audits and management reporting to identify any compliance issues or trends

Claims:

- Outside contract (Long Term Care Group) for claims processing.
- Revise claim handling procedures to ensure timely and accurate processing
- Proper maintenance & documentation of claims files

Marketing and Sales (Bankers):

- Enhanced producer training program
- Eliminate minimum complaints threshold for producer disciplinary actions
- Remove sales managers from local compliance process
- Review producer disciplinary actions for 2005– 2007 and report “for- cause” terminations to respective states
- Individual states to retain ability to bring enforcement actions against agents
- Set up system of audits and management reporting to identify any compliance issues or trends in sales and marketing areas

On-going Monitoring by lead States:

- Establish and monitor appropriate compliance benchmarks for claims and complaint processing
- Establish quarterly reporting requirements
- Monitor company operations generally
- Monitor transition of claim handling and Long Term Care Group
- Monitoring of Remediation Package
- Schedule and conduct re-examination of company 18 -30 months
- Participating states to defer regulatory actions related to multistate areas of review for a period of 18 months for Bankers 30 months for Conseco Senior

PARTICIPATING REGULATOR ADOPTION

On behalf of the state of Colorado Division of Insurance, I, Marcy Morrison, hereby adopt, agree, and approve this Agreement.

COLORADO DIVISION OF INSURANCE

BY: 

Marcy Morrison  
Commissioner of Insurance

April 29, 2008